

total value of the foreign-made product.

NOTE 1 TO § 560.420: Notwithstanding the exceptions contained in § 560.205(b)(1) and (b)(2) and this section, a reexportation to Iran or the Government of Iran of U.S.-origin items falling within the definition in § 560.205 is prohibited if those U.S.-origin goods (including software) or that technology have been substantially transformed or incorporated into a foreign-made end product which is destined to end uses or end users prohibited under regulations administered by other U.S. Government agencies. See, e.g., the Export Administration Regulations (31 CFR 736.2(b)(5), 744.2, 744.3, 744.4, 744.7, and 744.10); International Traffic in Arms Regulations (22 CFR 123.9).

NOTE 2 TO § 560.420: A reexportation not prohibited by § 560.205 may nevertheless require authorization by the U.S. Department of Commerce, the U.S. Department of State or other agencies of the U.S. Government.

NOTE 3 TO § 560.420: The provisions of § 560.205 and this section apply only to persons other than United States persons.

§ 560.421 Setoffs prohibited.

A setoff against blocked property (including a blocked account), whether by a U.S. bank or other U.S. person, is a prohibited transfer under § 560.211 if effected after the effective date.

§ 560.422 Termination and acquisition of an interest in blocked property.

(a) Whenever a transaction licensed or authorized by or pursuant to this part results in the transfer of property (including any property interest) away from the Government of Iran, an Iranian financial institution, or any other person whose property and interests in property are blocked pursuant to § 560.211, such property shall no longer be deemed to be property blocked pursuant to § 560.211, unless there exists in the property another interest that is blocked pursuant to § 560.211, the transfer of which has not been effected pursuant to license or other authorization.

(b) Unless otherwise specifically provided in a license or authorization issued pursuant to this part, if property (including any property interest) is transferred or attempted to be transferred to the Government of Iran, an Iranian financial institution, or any other person whose property and interests in property are blocked pursuant to § 560.211, such property shall be

deemed to be property in which the Government of Iran, an Iranian financial institution, or that person has an interest and therefore blocked.

§ 560.423 Offshore transactions involving blocked property.

The prohibitions in § 560.211 on transactions or dealings involving blocked property apply to transactions by any U.S. person in a location outside the United States with respect to property held in the name of the Government of Iran, an Iranian financial institution, or any other person whose property and interests in property are blocked pursuant to § 560.211, or property in which the Government of Iran, an Iranian financial institution, or any other person whose property and interests in property are blocked pursuant to § 560.211 has or has had an interest since the effective date.

§ 560.424 Payments from blocked accounts to satisfy obligations prohibited.

Pursuant to § 560.211, no debits may be made to a blocked account to pay obligations to U.S. persons or other persons, except as authorized by or pursuant to this part.

NOTE TO § 560.424: See also § 560.502(f), which provides that no license or other authorization contained in or issued pursuant to this part authorizes transfers of or payments from blocked property or debits to blocked accounts unless the license or other authorization explicitly authorizes the transfer of or payment from blocked property or the debit to a blocked account.

§ 560.425 Entities owned by a person whose property and interests in property are blocked.

A person whose property and interests in property are blocked pursuant to § 560.211 has an interest in all property and interests in property of an entity in which it owns, directly or indirectly, a 50 percent or greater interest. The property and interests in property of such an entity, therefore, are blocked, and such an entity is a person whose property and interests in property are blocked pursuant to § 560.211, regardless of whether the entity itself is designated pursuant to § 560.211.